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Next 1 Page(s) In Document Denied

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Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

4 November 1986

LIBYAN SANCTIONS UPDATE #7

This report contains information relevant to the US effort to impose sanctions on Libya. It covers the month of October and includes all West European countries plus Argentina, Brazil, Canada, Japan, and South Korea. Some countries are not mentioned because there were no significant developments.

This report was prepared by the West European Division, Office of European Analysis, with contributions from other offices. Questions and comments are welcome and may be addressed to [redacted] Chief, West European Division, [redacted]

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Copy 9 of 41

25X1

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Page Denied

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AUSTRIA

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Actions Undermining US Sanctions

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An Austrian firm, Golden Falcon, agreed to provide Libya with 990 kg of ammonium perchlorate -- an oxidizer used in solid rocket motors for missiles. The material is of West European origin and was due to arrive in Libya in mid-October. Golden Falcon apparently received an export permit for the ammonium perchlorate.

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CANADA

Overview

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[REDACTED]

Canadian policy towards Libya remains unchanged. Following the economic sanctions imposed in January, Canadian officials expect 1986 trade with Libya to be practically nil. [REDACTED]

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Actions Supporting US Sanctions

The new non-resident ambassador, who is concurrently the Libyan UN Permanent Representative, was given a cool reception by Ottawa. His suggestion that trade delegations be exchanged was rejected by Canadian officials as unrealistic in light of current relations. [REDACTED]

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FRANCE

Overview

France continues its quiet efforts in support of US economic sanctions against Libya, and French military sales and services to Libya remain blocked. The government also continues to be largely successful in pressing oil companies not to import Libyan oil into France. [REDACTED]

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[REDACTED]

Actions Supporting US Sanctions

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[REDACTED]

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[REDACTED]

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[REDACTED]

In response to a recent press story, a Thompson-CSF spokesman stated that the company had not returned any of the key parts of the Libyan air defense system sent to France for servicing. He also denied that Thompson has modernised any of Libya's Crotale batteries or that the company has a new contract to provide radar systems to Libya. [REDACTED]

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Actions Undermining US Sanctions

A recent press story states that a French company, Delta Assistance Technique International (DAT), had been trying to sign a servicing and parts contract for Libya's illegally acquired Airbus A-310's. A government official confirmed the story to the US Embassy and stated that the company, along with a French freight forwarder, was now under investigation. The official stated that DAT has apparently helped Libya obtain aircraft parts in the past, but he doubted that the company could actually service the A-310s.

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ITALY

Overview

Meetings between US and Italian officials to discuss the US oil certification program were cordial, but it is clear that substantial differences remain. Italian negotiators told US officials that they could not accept refinery certification, but would guarantee cleanness on a

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[redacted]

cargo-by-cargo basis. Rome also asked for a 10-percent tolerance level for Libyan crude, far above the 2-percent limit being sought by Washington, and insisted that the Montedison refinery be exempted from the scheme. The refinery was built specifically to handle Libyan crude, and Montedison exports a special gasoline for which the US is its only market. Finally, Rome insists on complete uniformity of certification criteria for all the Mediterranean countries. Rome has already substantially reduced its imports of Libyan oil, and believes that its efforts have not been fully appreciated by the United States. [redacted]

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Actions Supporting US Sanctions

Italian foreign ministry officials travelled to Tripoli on 10-13 October to press Libya to adopt the "Andreotti plan" for reducing Italian imports of Libyan oil. Last June Andreotti proposed that Libya double to 80,000 b/d the amount of oil sent under the 1984 oil compensation accord to pay off about \$600 million of project-related debts to Italian firms. Although Libya refused Italian demands, a separate agreement was reached to pay about half of the \$100-120 million in commercial debts that Tripoli owes. In addition, a settlement mechanism was agreed upon to resolve disputes involving the remaining \$50-60 million of commercial debts. According to the US Embassy, Rome reportedly resisted pressure from Tripoli to resume a 25,000 b/d contract that had been suspended last June. [redacted]

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Two Italians who had been arrested in February were arraigned on charges of spying for Libya on 8 October. The two had been caught -- apparently while waiting for their Libyan contact -- with classified documents and photographs pertaining to the cruise missile base at Comiso. [redacted]

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On 10 October Italy called in the Libyan charge in Rome to protest threats made by Qadhafi who called Italy Libya's number one enemy in his speech commemorating Libya's independence from Italy. [redacted]

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On 27 October, a Milan court rejected a request by Libyan officials to release Libyan assets worth \$23 million in six Italian banks that were frozen in early August pending settlement of claims by two Italian firms owed money by Libya. Another group of Italian companies is pressing Rome to seize additional Libyan property in Italy to pay outstanding claims and taxes that may be owed from Tripoli's sale of its Fiat shares. Foreign Minister Andreotti told US officials that he is looking into the matter, but that there is little legal basis for seizing more assets.

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On 13 October, Italian Minister of Internal Affairs Scarfalo signed an antiterrorist cooperation agreement with France.

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Actions Undermining US Sanctions

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On 3 October, Italy announced the ratification of a five-year friendship and cooperation agreement with Libya that originally had been signed in December 1984. The agreement calls for increased scientific and cultural cooperation, including the exchange of scientists, technicians, and teachers, plus closer media cooperation.

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On 6 October, Rome agreed to exchange 3 Libyan prisoners convicted of murdering a Libyan dissident in Rome, for 4 Italians being held in Libyan jails on drug and conspiracy charges. Rome claims the deal was a humanitarian gesture because the health of two of the Italians was in danger.

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MALTA

Overview

Malta's economic and political ties with Libya may become an important issue in Malta's upcoming national elections. The opposition Nationalist Party may try to capitalize on the growing fear that Tripoli will default on its outstanding debts to Malta and campaign against the Labor government's close ties with Libya. Libya owes Maltese companies \$11 million in outstanding debts and \$33 million in pending orders -- a total equal to about 10 percent of Malta's estimated 1986 exports. The Labor Party, which stands a good chance of losing the election, may look to Libya for help in staying in power. The head of the Libyan People's Bureau in Malta reportedly has said that Libya will pay the debts to help the Labor Party win reelection. The Embassy speculates that the Labor government may be tempted to grant Libya concessions -- possibly including limited military use of the islands -- in return for payment of the outstanding debt. [REDACTED]

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Actions Undermining US Sanctions

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[REDACTED]

Maltese Prime Minister Mifsud Bonnici flew to Tripoli on 5 October reportedly to settle a number of bilateral issues and also to reaffirm Maltese support for Libya after the recent well-publicized visit to Malta of British Minister of State Baroness Young. Mifsud Bonnici met with Major Jalloud and Libyan Secretary for Public Services, Mohammed Al Mabrouk, but did not see Qadhafi. [REDACTED]

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[REDACTED]

Industry Minister Karmenu Vella made an unannounced followup visit to Tripoli on 9 October, probably to discuss debt payments, oil purchases, and jobs for Maltese workers in Libya. [REDACTED]

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Maltese Foreign Minister Alex Sceberras Trigona used his 9 October speech to the UN General Assembly to once again denounce the US raid on Tripoli and to criticize US refusals to negotiate with Libya. [REDACTED]

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On 16-17 October the head of Malta's state-run broadcasting agency hosted a conference of the Federation of Mediterranean Friendship Associations with Libya, attended by delegates from Greece, Spain, Cyprus, Italy, Malta, and Libya. A statement issued at the end of the session condemned US aggression against Libya and commended Malta's role in supporting peace in the region. [REDACTED]

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NETHERLANDS

Overview

The Hague continues to encourage Dutch firms not to undermine US sanctions, and Dutch economic ties with Libya are minimal. [REDACTED]

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Actions Supporting US Sanctions

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[REDACTED]

During discussions with US officials about oil certification, Dutch representatives confirmed that they had spoken privately with oil companies to try to dissuade them from purchasing Libyan crude. The Hague is extremely reluctant to acknowledge this publicly, however. [REDACTED]

25X1

SOUTH KOREA

Overview

South Korea continues to pay lip service to economic sanctions against Libya--Seoul recently reiterated its backing for Washington's goal of curtailing terrorism, and economic technocrats favor a plan to lessen South Korea's dependence on Libyan construction contracts and oil, according to State Department reporting. Nonetheless, because South Korean firms still have huge financial stakes in Libya, Seoul is resisting pressure to cut purchases of Libyan crude oil, according to US Embassy and State reporting. In fact, the South Korean government and the country's largest firms have recently had to increase the role of oil in settling commercial and political accounts with Libya, because of Tripoli's insistence on paying its debts in crude rather than cash. [REDACTED]

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SPAIN

Actions Supporting US Sanctions

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[REDACTED]

The foreign ministry official responsible for North Africa told US officials that there are now only eight or ten Libyans at the Libyan Peoples Bureau in Madrid, and that all of them are "followed and controlled." He also said that tougher visa restrictions will cut the number of Libyans visiting Spain from 15,000 in 1985 to 1,000 this year. [REDACTED]

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Actions Undermining US Sanctions

The foreign ministry's political director again made clear Madrid's opposition to the US oil import certification scheme, telling the US ambassador flatly that Spain does not share the US view of the desirability of a Libyan oil embargo. Another foreign ministry official later said that his government was willing to meet with the US certification team but only to exchange information. [REDACTED]

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TURKEY

Ankara continues to seek good relations with Libya because of the many Turkish firms still operating there and the substantial arrearages owed them by Tripoli. The Turks also hope to benefit if oil prices rise and enable Libya to boost imports. [REDACTED]

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Actions Supporting US Sanctions

Two Libyans convicted of possessing explosives in connection with the attempted bombing of the US Officers' Open Mess in Ankara in April 1986 will be retried on the more serious charge of conspiracy to murder. [REDACTED]

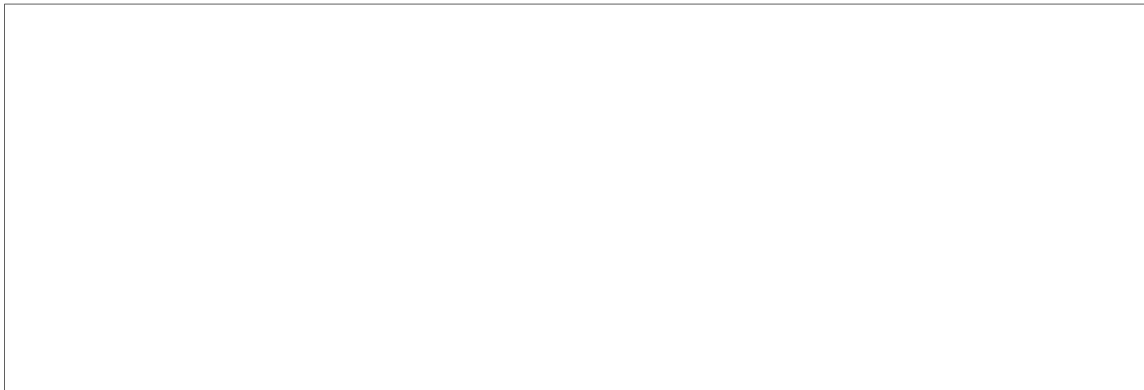
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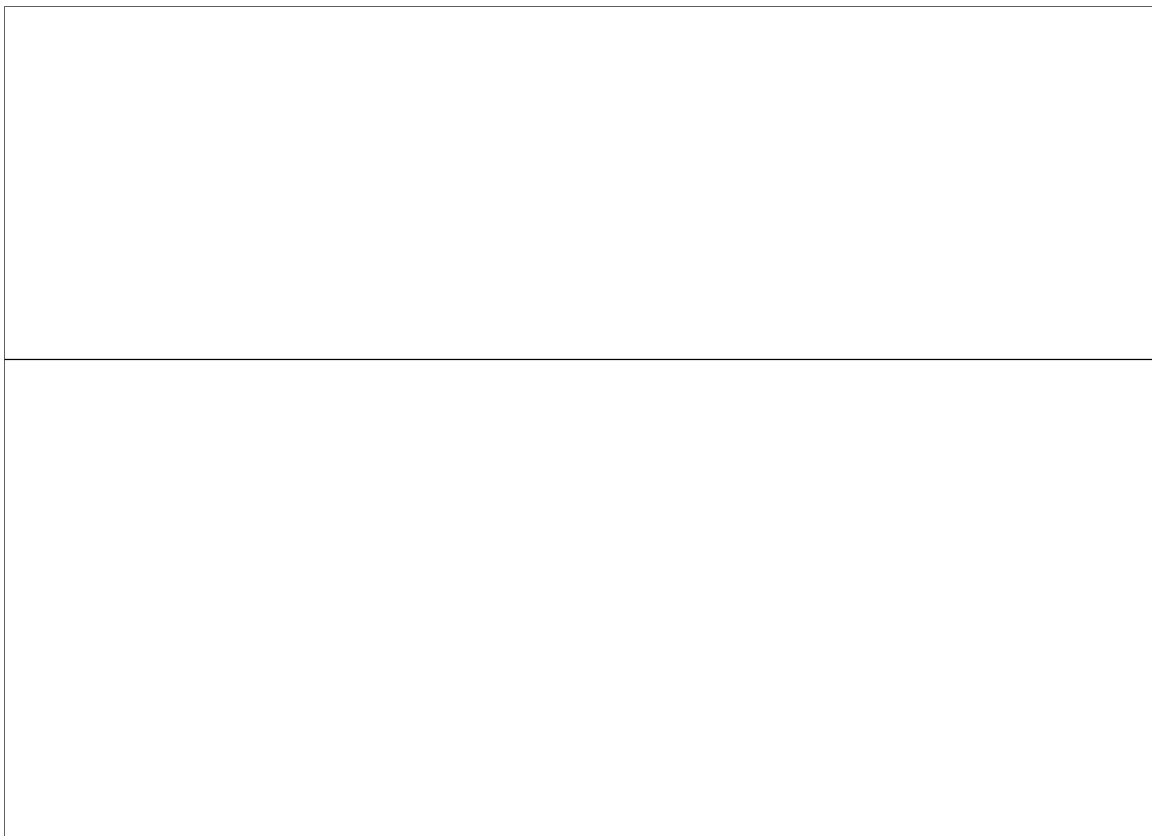
UNITED KINGDOM

Overview

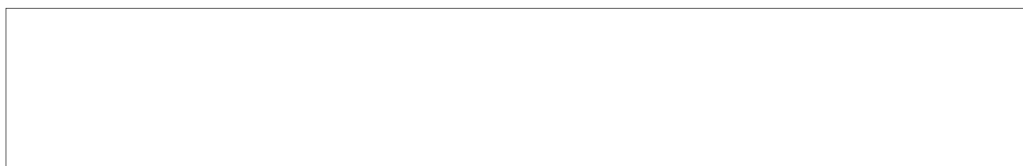
British attitudes toward Libyan sanctions remain unchanged. London presently is more concerned with Syria.

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Page Denied

25X1

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25X1

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25X1

11 - DDI

12 - ANIO/EUR

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15-16 - EURA/PS

17-19 - IMC/CB

20 - NESA/SO [REDACTED]

25X1

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25X1

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31-36 - EURA/WE [REDACTED]

25X1

37 - C/EURA/IA

38 - C/EURA/IA/EI

39 - WE Subject File

40 - C/NESA/AI/M [REDACTED]

25X1

41 - OGI/SRD/SFB [REDACTED]

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25X1

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